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**James A. Carder**  
Director  
Division of Accounting

## **MEMORANDUM**

**TO:** Agency Payroll, Personnel, and Fiscal Officers  
**FROM:** Division of Accounting  
**DATE:** April 2, 2004  
**RE:** Payback Policy for Payroll Overpayments

The purpose of this memo is to institute a consistent set of guidelines for paybacks of payroll overpayments. We continue to see overpayments to state employees that occur over several pay periods before they are discovered by the agency. Once discovered, the payback method is not consistent among state agencies. Also, we have received requests from agencies for guidance to assist them in administration of these paybacks.

With the full implementation of a lag payroll, errors on employee pay should be minimal. Agencies are responsible for the review of employees' pay each pay cycle for accuracy. Each agency should be reviewing the Hours To Gross Register and the Current Earnings Register or Payroll Registers immediately after a pay cycle has completed, to ensure accuracy of pay, deductions, and fringes.

When agencies discover that an error has been made with employees' pay and an overpayment has occurred, over several pay periods or a one-time incident, the employee is typically liable for the amount overpaid. Under 33.103 RSMo, the employee is entitled to due process to determine if an overpayment has occurred. Due process does not give the employee negotiation rights concerning the amount and timing of the payback.

Because Article III, Section 38 (a) of the State's Constitution does not allow for appropriated monies to be used for personal use (personal loans), it is the policy of the Office of Administration that agencies recover payroll overpayments as soon as they are discovered. The agency should implement reimbursement from the employee in the following **priority**:

1. Offset the full amount of the overpayment in the next pay cycle.
2. The employee may repay the full amount immediately from personal funds. (Amount must be coordinated with OA/Accounting due to tax implications.)
3. Offset payment in the same number of pay cycles that the overpayment was made.

Please contact OA/Accounting at (573) 751-3141 prior to making any reimbursement proposal to the employee. Each situation must be handled on a case-by-case basis. To maintain statewide consistency, the final approval by OA/Accounting will be required on each agreement.

JD:vd/payr/vdmemopayrolloverpayments